



USDA Foreign Agricultural Service

GAIN Report

Global Agriculture Information Network

Template Version 2.09

Required Report - public distribution

Date: 10/3/2008

GAIN Report Number: SF8037

South Africa, Republic of

Exporter Guide

Annual Report

2008

Approved by:

Kari Rojas
U.S. Embassy, Pretoria

Prepared by:

Margaret Ntloedibe

Report Highlights:

South Africa's agricultural, fish and forestry exports to the United States totaled \$212 million in 2007, \$34 million lower than 2006. South Africa's most important exports to the United States are fresh citrus, wine, tree nuts, fruit juice, lobster, non-coniferous wood chips, and value-added wood products. Cooperation between Animal and Plant Health Inspection Service (APHIS), South Africa's Department of Agriculture, and the Deciduous Fruit Producer's Trust in setting up pre-clearance programs for fresh apples, citrus, grapes, and pears has led to an increase of \$69 million in 2007 from \$57 million of South Africa's fresh fruit exports to the United States. In 2007, the United States exported \$318 million (compared to \$149 million in 2006) of agricultural, fish and forestry products to South Africa.

Includes PSD Changes: No
Includes Trade Matrix: No
Annual Report
Pretoria [SF1]
[SF]

TABLE OF CONTENTS

Section I: Market Overview:	page 2 of 20
A. U.S. Market Position	page 4 of 20
B. Advantages and Challenges Facing U.S. products in South Africa.....	page 4 of 20
Section II: Exporter Business Tips:	Page 5 of 20
A. Local Business Customs:	page 5 of 20
B. Trade and Marketing Services:	page 5 of 20
C. Consumer Tastes and Preferences:	page 7 of 20
D. Food Standards and Regulations:	page 9 of 20
E. South Africa's Interaction with International Trade Organizations:	Page 9 of 20
F. General Import and Inspection Regulations:	page 10 of 20
Section III: Market Sector Structure and Trends	page 12 of 20
A. Competition:	page 12 of 20
B. Distribution Systems for Processed Food Products:	page 12 of 20
C. Trends in Advertizing and Trade Promotion:	Page 14 of 20
D. Trends in Tourism:	page 14 of 20
E. Trends in Online Sales:	page 15 of 20
Section IV: Best High-Value Product Prospects:	page 15 of 20
Section V: Key Contacts and Further Information:	page 16 of 20
A. Additional sources and links:	page 16 of 20
B. Post Contact:	page 17 of 20
APPENDIX I: STATISTICS:	page 18 of 20
A. Key Trade and Demographic Information:	Page 18 of 20
B. Consumer Food & Edible Fishery Product Imports:	page 19 of 20
C. Top 15 suppliers of Consumer foods and edible fishery products:	page 20 of 20

SECTION 1: MARKET OVERVIEW

The Republic of South Africa has a market-oriented economy and is a net exporter of agricultural products. It has a highly diversified agribusiness sector and is self sufficient in primary foods with the exceptions of wheat, oilseeds and rice. South Africa has a well-developed processed food and competitive horticultural sectors such as wine, fresh fruits, and vegetables. U.S. exports to South Africa consist mostly of bulk and intermediate agricultural products. The economic sectors of South Africa consist of agriculture: 3.0 per cent, industry: 30 per percent, and services: 67 percent.

In 2007, the United States exported \$318 million (\$149 million in 2006) of agricultural, fish and forestry products to South Africa. The increase is attributable to increase in bulk agricultural commodities, such as wheat, due to poor wheat crops in competing countries, a newfound preference for U.S. hard red winter wheat, and a favorable exchange rate. Intermediate agricultural products such as sugars, sweeteners and beverage bases scooped the highest export levels in 2007, since at least 1970. Planting seeds continue to be an important export to South Africa, and animal fats have also shown consistent and substantial growth over the past five years. Other high-value products such as almonds, cultivated ginseng root, canned salmon, Kentucky bourbon, frozen food preparations, and sauces have shown consistent growth over the last five years and represent important opportunities for U.S. exporters.

Argentina is South Africa's largest supplier of agro food products with 20.4 percent of total agro food imports in 2007. The leading suppliers were Argentina (\$875 million), Brazil (\$402 million), the United States (\$290 million), the United Kingdom (\$255 million), and Thailand (\$213 million). South Africa's major imported agricultural commodities from Argentina were plant seed oils (28.3 percent), soybean meal (23.9 percent), and corn (22.8 percent); from Brazil were poultry meat (43.6 percent), plant seed oils (20.0 percent), and sugar (7.5 percent). From the United States major imports were Wheat (40.0 percent), whisky (9.9 percent), and prepared foods (9.6 percent). The United Kingdom exported whisky (63.0 percent), and prepared foods (6.6 percent). Thailand major export was rice (92.7 percent).

South Africa's agricultural, fish, and forestry exports to the United States totaled \$212 million in 2007, and \$34 million lower than 2006. South Africa's most important exports to the United States are fresh citrus, wine, tree nuts, fruit juice, lobster, non-coniferous wood chips, and value-added wood products. Cooperation between Animal and Plant Health Inspection Service (APHIS), South Africa's Department of Agriculture, and the Deciduous Fruit Producer's Trust in setting up pre-clearance programs for fresh apples, citrus, grapes, and pears has led to an increase of \$69 million in 2007 from \$57 million in 2006 to the world and \$7 million in South Africa's fresh fruit exports to the United States.

The South African food and beverage market is becoming increasingly sophisticated and now offers a wide range of imported products. The market is divided into two segments, the first prosperous and largely white, the second poor and largely black. (However, the black population's buying power is increasing and improving the market for imported food products.) South Africans in the middle and upper income levels are demanding healthy, convenient, quality foods, while the poor majority requires basic staple foods at affordable prices. For example, the organic foods market is growing rapidly in South Africa and supermarkets are using promotions that emphasize the health benefits of various products. Also, the food retailer Pick 'n Pay has opened stores in township areas, places that have been historically underserved by large supermarkets.

Market surveys have repeatedly shown that price sensitivity rules consumer behavior. South African industry leaders concur with an ACNielsen study that supports this conclusion, stating that price, above other factors such as quality or appearance is the primary factor in selecting a product. However, an interesting idiosyncrasy of the South African market is that price may be less of a factor in townships, where consumers often show significant brand loyalty for certain branded items.

A) The United States trade position with South Africa

A Table below highlights trade of major agricultural, forest and fishery products between the United States and South Africa for calendar year 2007.

South Africa's major Bulk, Intermediate and Consumer-Oriented Agricultural Imports from the United States		South Africa's Major Bulk, Intermediate and Consumer-Oriented Agricultural Exports to the United States	
Jan – Dec 2007	\$ millions	Jan – Dec 2007	\$millions
Wheat	\$147.37*	Rice	\$4*
Feeds & Fodders (excl pet foods)	\$5.3	Live Animals	\$1.0
Planting Seeds	\$11	Processed Fruit & Vegetables	\$14.8
Sugar, Sweeteners & Beverage bases	\$7.6*	Wine and Beer	\$41.7
Breakfast Cereals & Pancake Mix	\$1.3*	Nursery Products & Cut flowers	\$4.9*
Dairy Products	\$15	Other Consumer-Oriented Products	\$10.7*
Fresh Vegetables	\$584*	Logs and Chips	\$83
Processed Fruit & Vegetables	\$5.8*	Hardwood Lumber	\$1.3*
Fruit & Vegetable Juices	\$666*	Fish & Seafood Products, edible	\$30.5
Other Consumer-Oriented Products	\$18.5*	Lobster	\$19.6
Logs and Chips	\$2.1*	Other Edible fish & seafood	\$9.0
Fish & Seafood Products, edible	\$8.2*	Agricultural Total	\$174.79
Salmon, Canned	\$2.0*	Agricultural Fish & Forestry Total	\$211.95
Other edible fish & seafood	\$4.7*		
Agricultural Total	\$290.68		
Agricultural Fish & Forestry Total	\$318.01		

Source: FAS BICO Database:

*Denotes highest export levels since at least Calendar Year 1970

Note: That the category "Consumer Consumer-Oriented Products" has grown significantly since 2001 and is expected to continue to increase in 2008. The specific products in this category which showed growth or were substantial U.S. exports are Other Food Preparations, Other Frozen Food Preparations, Carbonated Soft Drinks, Gelatin Food Preparations and Spices.

B) Advantages and Challenges Facing Sales of U.S. Products in South Africa

Advantages	Challenges
South African consumers view U.S. products as high quality.	Retailers and consumers have limited knowledge about the variety of U.S. products.
South African importers seek suppliers who can offer quality products at competitive prices.	Acquired tastes and preferences for traditional, locally produced products.
The growing retail industry needs imported food and beverage products.	Challenging for U.S. suppliers to respond to trade-lead inquiries in a timely fashion.
Transparent import regulations.	Competition from other countries and locally produced products.
A steady decline in tariff levels on most products.	Exchange rate. The South African Rand has fluctuated widely over the past decade, making long-term trading difficult. On October 3, 2008 the Rand is R8.25 to \$1.00, about 20% weaker to the dollar than in 2004 or 2005.

SECTION II: EXPORTER BUSINESS TIPS**A) Local Business Customs**

Throughout the year, Standard Time in South Africa is two hours ahead of Greenwich Mean Time and seven hours ahead of Eastern Standard Time. Clocks are not advanced in the spring. Generally, business hours are weekdays from 8:00 a.m. to 5:00 p.m. with a lunch hour in between, ranging between 11:00 – 2:00 p.m. Most offices observe a five-day week, but shops are generally open from 8:30 a.m. to 5:30 p.m. weekdays and from 8:30 a.m. to 4:00 p.m. on Saturdays, with few open on Sundays, especially those that are located at major shopping malls. Banks are open weekdays from 8:30 a.m. to 3:30 p.m. and Saturdays from 8:00 a.m. to 12:30 p.m. The monetary unit of South Africa is the rand (R), which is divided into 100 cents (c).

Shopping is similar to that in the United States, with large and very modern shopping centers providing diverse product lines similar to those found in the United States but there are no stores open 24-hours per day. South African business people tend to dress conservatively, particularly in the banking sector. However, "Smart Casual" clothing has become increasingly popular with executives in the IT and tourism industries. Terminology used in business invitations etc, are:

- Black Tie (dark suit and tie or tuxedo or formal evening dress)
- Business (jacket and tie or a business dress)
- Smart Casual (casual clothing with or without tie, but no jeans and no sneakers)
- Casual (includes jeans but no sport shorts)

Business cards are usually simple, including only the basics such as company logo, name, business title, address, telephone number, fax number, e-mail, and web-address. South Africans are also very punctual, and South African business people make every effort to be on time for appointments. Appointments should be made in advance for a business visit.

B) Trade and Marketing Services Including Establishing and Office

The Companies Act of 1973, which is administered by the Registrar of Companies, regulates the formation, conduct of affairs and liquidation of all companies. The act makes no distinction between locally-owned or foreign-owned companies. Companies may be either private or public. Foreign companies establishing subsidiaries in South Africa must register the subsidiary in accordance with the act.

For more information on company formation and registration contact:

Companies and International Property Registration Office (CIPRO)

Postal Address: P O Box 429, Pretoria, 0001

Physical Address: The DTI Campus, Block F, 77 Meintjies Street, Sunnyside, Pretoria

Tel: +27 0 11 394 9500; Fax: 27 0 11 394 9501

Email: contactcentre@cipro.gov.za

Website: <http://www.cipro.co.za>

Assuring alignment with South African industry regulations particularly those regarding Black Economic Empowerment (BEE), when choosing an advertising or marketing partner to open the South African market, will be crucial. Direct marketing is expected to grow over the next ten years, as long as marketing plans include a strong emphasis on clear cut information campaigns, almost intended to pre-empt consumer questions and introduce appropriate solutions all in one effective customized direct marketing package.

Direct Marketing Channels in South Africa include:

Direct Marketing: Although South Africa's foreign exchange controls and import documentation requirements have been relaxed, we recommend that U.S. companies contract with a South African agent or partner who would be responsible for marketing the product, holding stock, fulfilling purchasing transactions and remitting revenue to the U.S. company.

For more information contact the Advertizing Standards Authority of South Africa (ASASA) at

Postal Address: P O Box 41555, Craighall, Johannesburg, 2025

Physical Address: Willowview, Burnside Island Office Park, 410 Jan Smuts Avenue, Craighall Park, Johannesburg

Tel: +27 0 11 781 2006; Fax: +27 0 11 781 1616

Email: info@asasa.org.za

Website: <http://www.asasa.org.za>

Franchising: The franchising sector in South Africa is varied in terms of the types of businesses represented, which creates a huge potential growth in the franchising sector in South Africa, with revenue from franchised outlets growing by 48 percent. It is estimated that in South Africa, less than 20% of retail business is done via the franchise route. In preparation of the 2010 FIFA World Soccer cup event, franchise concepts for the South Africans in the coming years include increase in three major areas such as retail, food and service businesses.

Recent years have seen the popularity of franchising increase significantly, emerging in South Africa as an effective way to conduct and grow successful businesses. Franchising sectors such as fast food, forecourts (convenience stores) linked to gas stations also plays an important role in furthering the development of small and medium businesses. Restaurant franchises are joining with gas stations to create an enticing atmosphere and to encourage customers to purchase food more than gasoline. Franchising, with its advantages of skill

transfer, start-up support and ongoing operational assistance, is becoming a preferred type of business to address job creation, poverty alleviation, economic growth and black empowerment rank high on the South African government's agenda. Business format franchising, in particular, is a proven concept offering potential opportunities for U.S. franchises to reap the benefits in profit from the convenience provided for consumers in forecourts.

More information about the sector including Member listing can be found at:

Franchise Association of Southern Africa (FASA)
Postnet 256, Private Bag X4, Bedfordview, 2008
Tel: +27 0 11 615 0359; Fax: +27 0 11 615 3679
Email: fasa@fasa.co.za
Website: <http://www.fasa.co.za>
Other additional resources include: www.whichfranchise.co.za
www.franchise.co.za

Joint Venture/Licensing: Exchange control regulations stipulate that the South African Reserve Bank (SARB) must approve the payment of royalties. When a licensing agreement involves no manufacturing, the request for exchange control approval is sent directly to SARB. For a company interested in entering into a licensing agreement with a local company to manufacture a product in South Africa, the South African licensee must submit an application to the industrial Development Branch of the Department of Trade and Industry. The Department of Trade and Industry, in turn, will make a recommendation to the SARB. Exchange control regulations stipulate that SARB's Exchange Control Section must approve the payment of royalties. When a licensing agreement involves no manufacturing, the request for exchange control approval is sent directly to SARB.

Royalty fees are based on a percentage of total ex-factory sales, with a maximum of four percent for consumer goods and six percent for intermediate and final capital goods. Down payments will not be approved unless actual costs of transferring tangible technology items are incurred. Minimum or annual payments are not acceptable to SARB. Exchange approval will normally be granted for an initial period of five years. Contract conditions involving obligatory purchasing and pricing agreements or requiring the licensee to sole articles from the licensor are prohibited.

Additional information on licensing regulations can be obtained from:

Department of Trade and Industry
Directorate of Licensing
Private Bag X84, Pretoria, 0001
Tel: +27 12 394 9500; Fax: +27 12 394 9501
Website: <http://www.thedti.gov.za>

Selling to the Government: Government purchasing is a significant factor in the South African economy. Nearly all such purchasing (at all three levels of government, i.e. national, regional, and provincial) is done through competitive bidding on invitations for tenders, which are published in an official state publication, the State Tender Bulletin (<http://www.dti.gov.za/tender/bulletins.htm>), and sometimes in leading newspapers. Although the purchasing procedures of the central government and parastatal institutions favor products of local manufacturers, an overseas firm is not precluded from bidding if the firm has an agent in South Africa to act on its behalf. As a general practice, payment is made to the local agent.

For more information, contact the SA Department of Finance (Treasury) who administers the government procurement process at:

South African National Treasury
Public Private Partnerships
Private Bag X115, Pretoria, 0001
Tel: +27 0 12 315 5741
Website: <http://www.treasury.gov.za>

C) Consumer Tastes and Preferences

South African food retailers serve a wide range of consumers. At one end, there are supermarkets very similar to those found in the United States. These shops provide most of the products and services found in U.S. grocery stores such as processed foods, packaged meats, and fancy produce.

New products entering the South African market require extensive market research and mass advertising to identify potential customers' buying patterns and preferences. This applies particularly to unknown brand names, as South Africans are very brand conscious.

One way of launching a new product in South Africa is by exhibiting at trade shows. A list of 2009 trade shows will be published towards the end of this month as a Gain Promotional Report. Promotional "give-aways" are also very popular for launching of new products. An editorial and/or advertisements in a specialized trade publication, such as South African Food Review, Food & Beverage Reporter, the Supermarket & Retailer, and the Restaurant Business Magazine, will also enhance awareness of the product. Although South Africa has eleven official languages, promotional material is typically printed in English.

Direct selling has certainly found a niche market in South Africa. Directly selling products to individuals on a personal one-on-one basis by freelance agents is fast becoming a multi-million dollar industry in South Africa. Examples of products sold in this way include herbal type products, jewelry, plastic containers, lingerie, personal products, and personal health products.

Pricing in South Africa is generally market-driven, with the exception of petrol/gas products and certain agricultural goods and prices administered by parastatals (government owned firms) such as the South African Post Office and Telecommunication. Despite the variety of options available to South African consumers, price sensitivity rules their behavior. Surveys reveal that 47.8 percent based their decisions on price and 16.9 percent buy store brand (generic brand) items because they are good value for the money. Only 13.4 percent mentioned quality as a motivator, while 4.3 percent perceived the store brand to be equal to name brand items. Products that are successful with store brand labels include milk, syrups, dry pasta, nuts, canned fruits and jellies. South Africa applies a 14 percent Value Added Tax (VAT) (as opposed to General Sales Tax (GS)) on all goods and services, except for some basic staple diet items. Exports are zero-rated and no VAT is payable on imported capital goods. The South African Revenue Service (SARS), a division of the South African Department of Finance/Treasury, administers the VAT. For more information visit the SARS website at:

SARS
Private Bag X923, Pretoria, 0001
Tel: +27 0 12 422 4000; Fax: +27 0 12 422 5181
Website: www.sars.gov.za

Although many South Africans choose products according to price, consumers in townships often demonstrate contradictory demands and characteristics. For example, spazas and other informal shops tend to only supply leading brand items because their customers demonstrate strong brand loyalty. Adding to this trend is the fact that the black population's buying power is increasing. Product attributes that may help a product succeed in township markets are those which are less expensive and/or single service package sizes and ambient-stable products that do not require refrigeration.

South Africans love to eat meat, and to barbeque (braai). Braai products, such as sauces, are also popular, especially sweet and spicy flavors. A wide variety of meats are available, such as beef, beef sausages, lamb, game meats, and poultry. Fish is also gaining popularity as consumers are seeking healthier alternatives to meat. South Africans eat more beef and lamb than pork. It has been generalized that they eat about as much pork as Americans eat lamb, and as much lamb as Americans eat pork.

According to ACNielsen research, health information is becoming an important component of food retailing. Consumers would like to see more health, nutritional and weight loss information in stores. These consumers will most likely fit in the categories of:

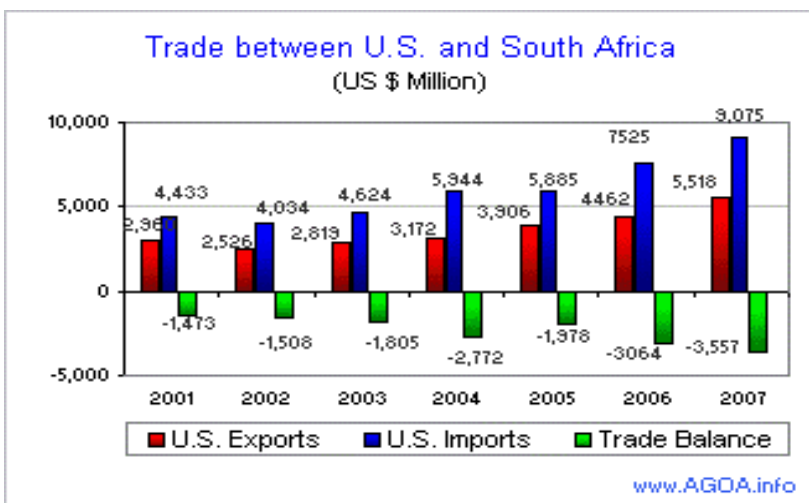
- 1) Older female consumers who are interested in diet as a way to obtain good health in place of exercise.
- 2) Young people and high Living Standard Measurement (LSM) consumers who are becoming increasingly aware of the importance of a good diet and exercise in order to maintain good health.
- 3) Low LSM consumers, many of whom are feeling the impact of HIV/AIDS on their families and are thus in need of healthy food products. However, due to hard financial times for poor South Africans, health products for low LSM consumers will not find a place on grocer's shelves unless they are developed as viable substitutes for basic staples.

D) Food Standards and Regulations

Useful references are post prepared GAIN Report SF8026, and SF8034, Export Certificate and Food and Agricultural Import Regulations and Standards for South Africa respectively, and can be found at the following links:

<http://www.fas.usda.gov/gainfiles/200808/146295453.pdf>

E) South Africa's Interaction with International Trade Organizations



South Africa is a member of the World Trade Organization (WTO) and follows the Harmonized System (HS) of import classification. South African exports are eligible for Generalized System of Preferences (GSP) and Africa Growth and Opportunity Act (AGOA) treatment in the United States, which brings US tariffs on most goods to zero. U.S. shipments to South Africa qualify for Most Favored Nation treatment. South Africa exported \$1.1 billion worth of agro foods to the United States under AGOA in 2007 which represented 2.6 percent of total AGOA exports to the United States. Agro-foods products represent 12.7 percent of exports under AGOA and were worth \$137 million in 2007. The major foods products exported are citrus, wine, ethyl alcohol, fruit and vegetable juice, grapes, and nuts.

There is free trade between South Africa and the other four countries (Botswana, Lesotho, Namibia, and Swaziland) comprising the Southern African Customs Union (SACU). There will also be substantial free trade between South Africa and the European Union by 2008 as a result of the Free Trade Agreement between them. The Southern African Development Community (SADC) Free Trade Agreement should also allow the free exchange of goods among the 14 countries of the region when it comes into full effect, but this will be a long-term project.

A Trade, Development, and Cooperation Agreement containing a Free Trade Agreement (FTA) went into force between South Africa and the European Union (EU) on January 1, 2000. Under the FTA, the EU is committed to the full liberalization of 95 percent of South African imports over a 10-year transitional period, while South Africa is to liberalize 86 percent of EU imports over a 12-year transitional period.

Traders are subject to exchange control approval, administered by the South African Reserve Bank. The Department of Trade and Industry (DTI) is empowered to regulate, prohibit or ration imports to South Africa in the national interests, but most may be imported into South Africa without restrictions.

For more information on Africa Growth and Opportunity Act (AGOA) visit website: www.agoa.co.za

F) General Import and Inspection Procedures

Import Permits: The Container Security Initiative (CSI), was developed by the U.S. Customs and Border Protection (CBP), following the terrorist attacks against the United States on September 11, 2001. CBP, which is now within the U.S. Department of Homeland Security, implemented the program at major ports around the world. Durban airport, South Africa is one of the major ports that are now part of the CSI program. Obtain additional information about the CSI program at www.cbp.gov

All food consignments are subject to random checking and sampling at all points of entry in South Africa to ensure food items imported into the country are safe and comply with the prescribed standards and regulations. International freight forwarders normally handle documentation and other formalities with authorities at entry points. Provided all necessary documents are in order, no problems or delays should occur with customs clearance. Under the Import and Export Control Act of 1963, the Minister of Trade and Industry may control the import of certain goods into South Africa. The list of restricted goods has decreased in recent years. Products that still require import permits are fish and fish products.

New Export Procedures: In December 2006 South Africa introduced the Single Administrative Document (SAD) for all customs clearances purposes. All clearances with Customs are done on a SAD.

The SAD is also capable of being used to clear a consignment through Customs in two or more countries. Such use of the SAD form will expedite Customs clearance and enhance the effectiveness of Customs Control.

SAD forms and additional information is available at this links:

<http://www.sars.gov.za/home.asp?pid=4153&tid=60&s=forms&show=1124#SAD%20500%20Customs%20goods%20declaration%20form>

Tariffs: Since 1994 South Africa has reformed and simplified its tariff structure in order to comply with its WTO commitments. It has reduced tariff rates from an import-weighted average tariff rate of more than 20 percent to 7 percent. Notwithstanding these reforms, importers have complained that South Africa's tariff schedule remains complex and can create uncertainty. Tariff rates mostly fall within eight levels ranging from 0 percent to 30 percent, but some are higher. There are high tariffs on imports of textiles and apparel. Antidumping duties remain on U.S. chicken parts and the South African Poultry Association has petitioned the Government (ITAC) to extend those duties for another 5 years. All imports are showing exceptional growth in 2006, but the delay in lifting the anti-dumping duty of U.S. bone-in cuts limits US exports. Please read SF 6033 for further information on poultry duties.

Specific excise duties are levied on tobacco and tobacco products, and petrol/gas products. Duties on alcoholic beverages are set at fixed percentages of the retail prices. Ad valorem excise duties are levied on a range of "Up market" consumer goods. The statutory rate is currently 10 percent (except that most office machinery, as well as motorcycles, have a duty of 5 percent). Various provisions for rebate of duty exist for specific materials used in domestic manufacturing. The importer must consult the relevant schedules to the Customs and Excise Act to determine whether the potential imports are eligible for rebate duty. Information can be found on the International Trade Administration Commission (ITAC) of South Africa's website at: www.itac.org.za

Department of Trade and Industry
International Trade Administration Commission (ITAC)
Import Control
Private Bag X773, Pretoria, 0001
Tel: +27 0 12 394 3590/1; Fax: +27 0 12 394 0517
Website: www.itac.gov.za

Biotechnology: There has been an active debate in South Africa on food produced using modern biotechnology - often referred to as genetically modified food (GM). The Genetically Modified Organisms Act that came into force on December 1, 1999, aims to ensure that all activities involving the use of GMOs (including production, import, release and distribution) will be carried out in such a way as to limit possible harmful consequences to the environment. In June 2001, the South African government published the National Biotechnology Strategy for South Africa, expressing the South African government's intent to stimulate the growth of biotechnological industries. The document states that biotechnology can make an important contribution to national priorities, particularly in the area of human health, food security and environmental sustainability.

As of June 2005, South Africa had approved 10 different general release genetically modified seed varieties, known as "events," for commercial planting, import, export, human consumption or animal feed. There are several other events that are allowed for import only and are not locally planted, along with others that are being field tested for possible future South African production. Industry analysts estimate that cotton has seen the highest rate of adoption with 92% of the local crop now GM. The SA industry was also quick to adopt a new GM cotton seed with stacked traits of insect resistance and herbicide tolerance that were

approved in September 2005. Stacked varieties constituted 40% of cotton planted last year, while varieties with only insect resistance constituted 39% and those with herbicide tolerance constituted 13%.

The South African Department of Health created regulations regarding GMO labeling. These regulations, issued on January 16, 2004, state that food with genetically modified ingredients require labeling only if its composition, nutritional value, or mode of storage or cooking is significantly different from conventional food.

For more information on GMO labeling and definitions of GMOs that require labeling, please refer to Regulations Relating to the Labeling of Foodstuffs Obtained through Certain Techniques of Genetic Modification 16 January 2004 (www.doh.gov.za, click on documents then legislation, then regulations). For more information on biotechnology in South Africa, see www.africabio.com. Further references are the Gain reports SF7012 (Trade Policy Monitoring, and also SF8025 (Biotechnology) <http://www.fas.usda.gov/gainfiles/200807/146295202.pdf>

Section III: Market Sector Structure and Trends

A) Competition

Imports: In 2007, the United States exported \$318 million (\$149 million in 2006) of agricultural, fish and forestry products to South Africa. The increase is attributable to increase in bulk agricultural commodities such as wheat due to poor wheat crops in competing countries, a newfound preference for U.S. hard red winter wheat, and a favorable exchange rate. Intermediate agricultural products such as sugars, sweeteners and beverage bases scooped the highest export levels in 2007, since at least 1970. Planting seeds continue to be an important export to South Africa, and animal fats have also shown consistent and substantial growth over the past five years. Other high-value products such as almonds, cultivated ginseng root, canned salmon, Kentucky bourbon, frozen food preparations, and sauces have shown consistent growth over the last five years and represent important opportunities for U.S. exporters.

Argentina is South Africa's largest supplier of agro food products with 20.4 percent of total agro food imports in 2007. The leading suppliers were Argentina (\$875 million), Brazil (\$402 million), the United States (\$290 million), the United Kingdom (\$255 million), and Thailand (\$213 million). South Africa's major imported agricultural commodities from Argentina were plant seed oils (28.3 percent), soybean meal (23.9 percent) and corn (22.8 percent); from Brazil were poultry meat (43.6 percent), plant seed oils (20.0 percent), and sugar (7.5 percent). From the United States major imports were wheat (40.0 percent), whisky (9.9 percent), and prepared foods (9.6 percent). The United Kingdom exported whisky (63.0 percent), prepared foods (6.6 percent). Thailand major export was rice (92.7 percent).

Exports: South Africa's agricultural, fish, and forestry exports to the United States totaled \$212 million in 2007; \$34 million lower than 2006. South Africa's most important exports to the United States are fresh citrus, wine, tree nuts, fruit juice, lobster, non-coniferous wood chips, and value-added wood products. Cooperation between Animal and Plant Health Inspection Service (APHIS), South Africa's Department of Agriculture, and the Deciduous Fruit Producer's Trust in setting up pre-clearance programs for fresh apples, citrus, grapes, and pears has led to an increase of \$69 million in 2007 from \$57 million in 2006 to the world and \$7 million in South Africa's fresh fruit exports to the United States.

B) Distribution Systems for Processed Food Products

Channel of Distribution: In South Africa, only a few importers specialize in one product. Most importers are generalists who import a wide range of food products. It is important for an exporter to work with someone locally who knows the market well for the specific product in question. Agents who represent one foreign supplier are also relatively rare.

Retail trade outlets in South Africa offer the full spectrum available in the United States. These range from the neighborhood convenience drugstore (called *cafés*), to the small general dealer, specialty stores handling a single product line (for example, clothing, electronics, furniture), exclusive boutiques, chain stores (groceries, clothing, toiletries, household goods), department stores, cash and carry wholesale-retail outlets, to co-operative stores serving rural areas. About 90 percent of inventories of consumer-ready products in these stores are domestically sourced. A major phenomenon in South Africa has been the evolution of hypermarkets, which sell large quantities of almost all consumer goods, similar to a Price Club retail store in the United States. The hypermarkets, located in suburban shopping centers/malls, have disrupted the traditional distribution chain by purchasing directly from manufacturers and bypassing the wholesaler, and with low margins achieving high turnover, thereby placing price pressure on all competing outlets.

Most U.S. exporters of consumer goods sell directly to South African retail organizations, such as department stores, chain stores, and cooperative groups of independent retailers, which assume the functions of wholesale buying, selling, and warehousing.

It may be necessary to appoint an official after-sales agent for products of a technical nature in South Africa. This may be a company that does not import or market the product in question, but rather, because of its geographical reach, technical abilities and goodwill in the market, acts as the certified service agent. Appointing an appropriate after sales agent is crucial in ensuring that the product develops a respected reputation in the South Africa. Highlighted below are some of the channels of distribution.

Importer/Distributor: Performs the first leg of the selling in a given country, and are the brand's ambassadors in that country and therefore carry a certain amount of prestige as the country representative of your company and brand. They will negotiate the total deal with the exporter, import the goods (which will be pre-paid) and then re-sell the products to retailers (their main customer base) and to smaller wholesalers, mostly in the rural areas. They physically take orders from customers, invoice out the goods, and deliver the goods with their own or third-party transport for re-sale. They will also be responsible for the marketing, after-sale service and promotional activity of the brand in that country.

Import Agents: The company or individuals usually operate by having a showroom only. They invite their customer base to view the products on display and then institute the orders once confirmation has been received. They also actively go into the trade, where they make appointments with their customers, present the relevant products or samples, and collect the confirmed orders. Agents could offer after sales service, either themselves or by out-sourcing from a specialist service company, operating in the relevant country.

Delivery is usually done via drop shipments (foreign-to-foreign shipments) from the supplier and a commission is paid to the agent. It is also quite common for an agent to carry more than one brand or product line, either in the same genre or a mix.

Export Broker or Brokers: These individuals work with multiple brands and multiple genres of products. They operate on both sides of the border, for example, they could be based in South Africa and have been tasked by a customer of theirs to look for products in another country, or they could be based in a foreign country and tasked either by retailers,

wholesalers or government departments to find products, at the best price for a supplier in, say South Africa. They usually work on a commission or profit-share basis. Broker Agents are mostly involved with government or other large food supply contracts. They tender for government contracts on behalf of different manufacturers. Some agents have their own warehouses and distribution facilities.

Importer/Distributor/Retailer: This type of company is very similar to Importer/Distributor, except that they have their own retail arm linked to their distribution system. In this case, they will usually have a number of retail chains throughout the city, town or country areas. They will then distribute exported products from a central warehouse, and/or bond store to their own retail stores, and to other retailers and wholesalers who are their customers. The other responsibilities are the same as those mentioned in the Importer/Distributor above.

Importer/Wholesaler: This type of company is similar to a distributor in that their orders are also pre-paid to the supplier, and deliveries to their customers are dependent on their own local and/or prior arrangements. They generally import the goods and other customers come to them to select, pay for and collect the stock. In a situation such as this, it is optional for the wholesaler to offer after sales service or outsource to a local service agent, who already has an existing service operation.

Wholesalers: Catering Wholesalers: Catering wholesalers purchase food products from various manufacturers and resell these products predominantly to catering establishments. Catering wholesalers offer the establishments a variety of food products, and some carry a select product range of specially packed "house brands". They also import large volumes of products that are sold to catering establishments.

Distributor Agents: The distributor agent distributes food products on behalf of manufacturers without necessarily taking ownership of the actual products. A distributor is usually required to adhere to prices determined by the manufacturer and is paid a fee to distribute the products.

C) Trends in Advertizing and Trade Promotion

South Africa has a sophisticated advertising industry. The four key players in South Africa's advertising industry are the Association of Advertising Agencies (AAA), the Association of Marketers (ASOM), and the two major media bodies, the National Association of Broadcasters (NAB) and the Print Media Association (PMA). Additional information can be obtained from the Association of Marketers and the Association of Advertising Agencies (see contact details at the end of the report).

More recently, food promotions have moved towards advertising goods based on health related issues and "nutrition function" claims. Some South African consumers are becoming diet and health conscious, and are becoming more responsive to products that address issues such as weight loss or disease prevention. Also, American television and culture is having an increasing influence on South Africans, leading to the adoption of social morays like "thin is beautiful."

D) Trend in Tourism

Tourism, South Africa's fastest growing industry, with an estimated annual growth rate of 12 percent, is the fourth largest industry in South Africa, supporting about 700 hotels, 2800 guesthouses and 10,000 restaurants. The Travel and Tourism industry in South Africa is a major contributor to the economy and presently accounts for 8.2 percent of GDP. The

current employment figure of 7 percent of South Africa's workforce is expected to grow to over 1.2 million people by 2010, when South Africa will host the FIFA World Cup (Soccer). Tourism plays a significant role in the domestic economy employing some 512,000 or 3 percent of the total workforce and contributing R73 billion or 7.1 percent to Gross Domestic Product.

South Africa has the highest arrivals of any African country and represents 20 percent of the continent's arrivals. Considering competitors such as Thailand, Australia, and Brazil, only Thailand surpasses South Africa in terms of total foreign arrivals. Tourism is central to growth and development in South Africa. In responding to this, the South African government has launched the Accelerated and Shared Growth Initiative (Asgisa), whose ultimate objective is to halve unemployment and poverty by 2014. The Asgisa aims to create at least 500,000 tourism jobs by 2014.

Source of statistics on South Africa tourism is available at:

<http://www.statssa.gov.za/publications/P0351/P0351July2008.pdf>
<http://www.southafrica.net/satourism/research/viewResearchDocument.cfm?ResearchDocumentID=459>
<http://www.safrika.info/>

Benefiting from this growth in terms of increased trade and investment opportunities is the hospitality industry, which includes a vast array of well-developed and sophisticated hotels, restaurants, cafes, resorts, country clubs, fast food outlets, bars, airlines, supermarkets and convenience stores.

South Africa, with an expanding middle class and a relatively stable economy, presents growing opportunities for U.S. niche food products. In addition, with its well-developed transportation infrastructure, South Africa is ideally placed to serve as an export hub to markets throughout the region. According to the Department of Environmental Affairs and Tourism (DEAT) issue of 2006, since 2003 the Grading Council has officially graded 70 percent of all accommodation rooms in South Africa. In 2005, the Grading Council was invited by the World Tourism Organization twice to present South Africa's Star Grading System model case-study in promoting destinations.

E) Trends in Online Sales

According to World Wide Worx July 2007 article, the number of South Africans with access to the internet will grow by little more than 3 percent in 2007, despite massive growth in broadband connectivity. This is the key finding of the "Internet Access in SA 2007". The study shows that a total of 3.85 million people in South Africa, a mere 8 percent of the population, or 1 in 12 people, will have access to the Internet by the end of 2007. The full report is available on World Wide Worx website at: www.theworx.biz.

Section IV: Best Consumer Oriented Product Prospects

Five-year trends show that some U.S. Consumer-Oriented Agricultural exports to South Africa are growing. Of interest is the Other Consumer-Oriented Products sub-category, which reached a 30-year high in 2007. Within this sub-category, other food preparations (HS210690) have shown consistent and substantial increases, including sauces and condiments (HS210390). Other high value exports that have shown sustained growth are almonds (HS080212), canned pink salmon (HS160411), whiskies (HS220830), and vegetable seeds (HS120991).

According to 2007 data, the United States enjoys a dominant position in the almond, canned salmon and other food preparations markets, holding 92 percent, 73 percent and 18 percent market shares respectively. The whiskey market is significantly different, with United Kingdom largest market share of 76 percent. However, the United States continued increase in whiskies exports to South Africa in 2006 and 2007 and now holds 14 percent of the market. The U.S. has seen annual growth increases over the past 5 years by an average of 7.39 percent per year in this sector. This growth may be due, in part, to a South African preference for successfully promoted American branded products (Jack Daniels, Woodford Reserve, Buffalo Trace, and Knob Creek, for example). This preference is expected to continue and should help other American products be more competitive in South Africa. This along with successful marketing techniques and brand awareness may lead to the growth of other American-branded, high-value products.

Product Category	2007 South Africa Imports from the World (\$1,000)	2007 U.S. Exports to S.A. (\$1,000)	Percent age of Annual Import Growth U.S.	Import Tariff Rate	Key Constraints Over Market Development	Market Attractiveness for U.S.
Whiskies HS220830	212	29	7.39	1.54	United Kingdom (76%) has large market share and a first mover advantage, and US 14%.	American brands are considered high quality and attract new, younger consumers.
Almonds HS080212	9	8.3	-8.60	Free		U.S. has largest market share of 92%.
Salmon HS160411	1.5	1.1	-27.07	25%		U.S. has the largest market share of 73%.
Other Food Preparations HS210690	136	25	11.48	Varied		US has the largest market share of 18%. American brands are becoming increasingly popular given their high quality attributes.
Vegetable Seeds HS120991	16	2.9	-1.55	Free	Netherlands leads sector with 30% Market Share, while US has 18%.	

Section V: Key Contacts and Further Information**A) Additional Sources and links:**

www.ussatrade.co.za: The US Commercial Service has an annual South Africa Country Commercial Guide at <http://www.buyusa.gov/southafrica/en/353.html> that presents a comprehensive look at South Africa's commercial environment, using economic, political and market analysis. Copies of the guide may be downloaded from the site or be obtained through the US Commercial Service: Johannesburg.Office.Box@mail.doc.gov Tel: +27 0 11 778 4800.

www.gt.co.za: Grant Thornton site contains information on different aspects of South Africa including an exporter guide entitled "Guide to establishing a presence in South Africa". Contact Tel: +27 0 11 322 4500 and Fax: +27 0 11 322 4767.

www.werksmans.co.za: Corporate and Commercial law firm, their site also contains general information on doing business in South Africa. Contact Tel: + 27 0 11 535 8000; and Fax: +27 0 11 535 8600

Cliffe Dekker, also a Corporate and Commercial law firm, www.cliffedekker.co.za, provides general information on basic legal issues for doing business in SA. The topics range from establishing an office in South Africa to taxation and black economic empowerment.

Luyton Driman, Going the EXTRA mile, a guide to trading in Africa,
<http://www.bradmanton.com/Articles/EXPORT%20SA/EXPORT%20Sept%2005.pdf>

B) Post Contact

If you have any questions or comments regarding this report or need further assistance, please contact AgPretoria at the following address:

Foreign Agricultural Service
U.S. Embassy Pretoria, South Africa
Washington, D.C., 20521-9300
Tel: + 27 0 12 431 4057
Fax: + 27 0 12 342 2264
[Email: agpretoria@fas.usda.gov](mailto:agpretoria@fas.usda.gov)

For more information on exporting U.S. agricultural products to other countries, please visit the Foreign Agricultural Service's website at: <http://www.fas.usda.gov>

APPENDIX I: STATISTICS

TABLE A. KEY TRADE & DEMOGRAPHIC INFORMATION

2007 Agricultural Imports From All Countries (\$million)/U.S. Market Share	\$4,220/7%
2007 Consumer Food Imports From All Countries (\$million)/U.S. Market Share	\$1,483/5%
2007 Edible Fishery Imports From All Countries (\$million)/U.S. Market Share	\$189/3%
2008 Total Population (Millions) / Annual Growth Rate (%)	48.7/0.82% (2008 estimates)
Urban Population (Millions) Annual Growth Rate (%)	22/1.9%
Number of Major Metropolitan Areas	9
Size of the Middle Class (millions) / Growth Rate (%)	
Per Capita Gross Domestic Product Purchasing Power Parity	\$467.1 billion (2007 estimates)
Unemployment Rate (%)	24.3% (2007 estimates)
Per Capita Food Expenditures (U.S. Dollars)	\$458
Percent of Female Population Employed	43%
Exchange Rate (US\$1 = XX local currency)	US\$1 = R8.10

Source: Statistics South Africa link: <http://www.statssa.gov.za/publications/P0302/P03022008.pdf>
<https://www.cia.gov/library/publications/the-world-factbook/geos/sf.html>

TABLE B. CONSUMER FOOD & EDIBLE FISHERY PRODUCT IMPORTS

South Africa Imports	Imports from World			Imports from U.S.			U.S. Market Share %		
In Millions of Dollars	2005	2006	2007	2005	2006	2007	2005	2006	2007
CONSUMER-ORIENTED AGRICULTURAL TOTAL	903	1,110	1,483	52	69	76	5.79	6.26	5.18
Snack Foods (Excl. Nuts)	96	116	108	1.3	1.2	2.1	1.43	1.06	1.96
Breakfast Cereals & Pancake Mix	6,112	6,881	8,453	31	49	91	0.51	0.72	1.08
Red Meats, Fresh/Chilled/Frozen	116	126	129	19	1.2	1.0	0.02	1.02	0.82
Red meats, Prepared/Preserved	7,842	9,195	13,727	55	148	10	0.71	1.61	0.08
Poultry Meat	147	183	228	2	4	6	1.61	2.54	2.73
Dairy Products (Excl. Cheese)	70	61	117	1	3	4	2.47	4.95	3.54
Cheese	16	20	27	73	23	838	0.44	0.12	3.10
Eggs & Products	1,73	1,70	2,5	293	216	457	16.93	12.72	17.62
Fresh Fruit	11	20	24	67	39	34	0.57	0.19	0.14
Fresh Vegetables	1.7	4.9	7.6	12	124	720	0.71	2.53	9.47
Processed Fruit & Vegetables	70	89	120	2.4	3.3	2.8	3.45	3.69	2.33
Fruit & Vegetables Juices	22	32	65	452	687	766	2.02	2.13	1.17
Tree Nuts	30	35	34	7	10	9	23.87	29.00	26.23
Wine & Beer	19	25	112	71	65	82	0.37	0.25	0.07
Nursery Products & Cut Flowers	7	10	11	287	389	139	3.87	3.69	1.22
Pet Foods (Dog & Cat Food)	15	18	23	8	7	2	55.41	43.15	10.09
Other Consumer-Oriented Products	260	346	447	27	36	45	10.36	10.42	10.23
FISH & SEAFOOD PRODUCTS	125	145	189	4	6.5	6.4	3.44	4.50	3.43
Salmon	7	9.6	9.0	1.6	2.7	2.2	20.56	29.00	24.76
Surimi	735	2.7	2.9	0	836	1.2	0	29.88	42.30
Crustaceans	44	50	56	247	178	122	0.55	0.36	0.22
Groundfish & Flatfish	13	24	34	13	1.2	2.4	0.10	4.96	7.23
Molluscs	19	15	17	2.1	1.0	166	11.29	6.90	0.93
Other Fishery Products	39	42	69	283	422	212	0.72	1.00	0.31
AGRICULTURAL PRODUCTS TOTAL	2,552	3,028	4,220	184	134	290	7.23	4.45	6.89
AG, FISH & FORESTRY TOTAL	2,985	3,515	4,807	211	161	317	7.08	4.60	6.61

Source: FAS Global Trade Atlas

TABLE C: TOP 15 SUPPLIERS OF CONSUMER FOODS & EDIBLE FISHERY PRODUCTS

South Africa – Top 15 Suppliers	Import 2005	Import 2006	Import 2007			Import 2005	Import 2006	Import 2007
CONSUMER-ORIENTED AGRICULTURAL IMPORTS	Value \$1000	Value \$1000	Value \$1000		FISH & SEAFOOD PRODUCTS	Value \$1000	Value \$1000	Value \$1000
Brazil	212,339	193,507	227,929		Thailand	18,564	32,541	48,474
Netherlands	42,528	55,887	130,448		India	26,583	30,603	29,676
France	44,984	57,229	91,080		China	10,377	12,717	17,981
United States	52,336	69,502	76,783		New Zealand	5,174	7,635	16,756
China	30,271	46,204	76,210		Peru	1,483	1,965	8,229
Argentina	38,439	45,318	75,346		Norway	5,076	7,076	7,976
Australia	44,933	61,553	73,937		Mozambique	7,607	6,997	7,066
Italy	47,342	54,909	71,846		United States	4,315	6,549	6,489
Canada	24,770	44,844	54,143		Philippines	7,736	894	4,921
United Kingdom	30,480	44,140	48,204		Taiwan	3,736	3,371	3,959
Germany	31,138	35,724	46,793		Falkland Islands	1,884	2,068	3,900
New Zealand	36,993	40,863	45,108		Portugal	2,254	2,517	3,724
Austria	23,147	23,979	39,988		Spain	3,324	2,159	3,714
Ireland	16,497	18,691	33,216		Chile	2,545	3,231	3,356
India	15,736	20,171	32,644		Argentina	1,133	5,595	2,963
Other	260,991	346,490	447,696		Other	39,493	42,262	69,094
World	903,902	1,110,219	1,483,180		World	125,635	145,472	189,383

Source: FAS Global Trade Atlas